

# North Carolina Real Estate License Examination

## STATE SECTION STUDY GUIDELINES

These study guidelines are provided to assist license applicants taking only the “State” section of the North Carolina real estate license examination because they qualified based on licensure in another jurisdiction.

**NOTICE:** *License applicants who apply based on licensure in another jurisdiction and are required to pass only the “State” section of the license examination have far more difficulty passing the State section of the examination than applicants who qualify by taking the 75-hour North Carolina Broker Prelicensing Course. Applicants qualifying based on licensure in another jurisdiction are, therefore, strongly urged to take appropriate steps to prepare for the examination.*

### EXAMINATION PREPARATION OPTIONS

#### Option 1 – Take the 75-hour Broker Prelicensing Course (classroom only)

*The most thorough preparation for the State section of the examination (as well as for the National section) is to take a **75-hour Broker Prelicensing Course** from a Commission-approved North Carolina school. This course is offered only as a **classroom** course in NC. Some schools may also be willing to sell you the prelicensing course text without taking the course. You may find a list of approved schools and contact information on the Commission’s website, [www.ncrec.gov](http://www.ncrec.gov), under the “Schools/Sponsors” tab that appears on the home page.*

#### Option 2 – Take a course or use study materials specifically designed to help applicants prepare for the State section of the license examination

- **Online Preparatory Course.** At least one school offers an **online** preparatory course specifically for the State section of the NC real estate license examination that an applicant can take from his/her home or office.
- **Classroom Preparatory Course.** At least one school offers a classroom course specifically designed to help applicants prepare for the State section of the license examination.
- **Home Study Packet.** At least one school markets a home study packet for the State section of the license examination.

To get information on available preparatory courses or materials such as those listed above, go to the website of the **North Carolina Real Estate Educators Association** ([www.ncreea.com](http://www.ncreea.com)) and click under “Relevant Links,” then look for the appropriate link. [Although these “exam prep” courses and materials are not specifically approved by or endorsed by the NC Real Estate Commission, you may very well find these courses/materials to be extremely helpful, especially if you are applying based on licensure in another jurisdiction.]

## Option 3 – Obtain and Independently Study Books and Other Materials

### For Coverage of ALL EXAM TOPICS -- Single Sources of Information

- ***Modern Real Estate Practice in North Carolina***, 8<sup>th</sup> edition, Kaplan Real Estate Education, 2012 (813 page text). Includes the NC Real Estate License Law and Real Estate Commission Rules. **Ordering Info:** Go to [www.recampus.com](http://www.recampus.com), click on “bookstore,” then use the alphabetical listing of books to locate this text. Price is \$48.05 plus shipping costs via UPS Ground (approximately \$22.00 for Raleigh zip code – exact amount depends on shipment destination). State sales taxes may also apply.
- ***North Carolina Real Estate Principles and Practices***. 7<sup>th</sup> edition, OnCourse Learning, 2014 (797 page text). Includes the NC Real Estate License Law and Real Estate Commission Rules. **Ordering Info:** by phone at 1-855-733-7239 or by e-mail at [publishingsales@oncoursepublishing.com](mailto:publishingsales@oncoursepublishing.com) Website: [www.oncourselearning.com](http://www.oncourselearning.com) Price is \$69.95. Shipping costs and state sales taxes may also apply.

These are the approved broker prelicense course textbooks that provide coverage of all topics tested on both the “National” and “State” sections of the license examination. The applicant taking the “State” section only will simply need to locate the coverage in the text (using the table of contents and index) of the topics in the detailed outline included below. *These books are the only cited references with coverage of “Basic House Construction.”*

### For Coverage of All Exam “State” Section Topics EXCEPT “Federal Income Taxation of Home Ownership/Sale,” “Basic House Construction” and “Residential Square Footage Guidelines”

- ***North Carolina Real Estate Manual***, 2013-14 Edition (1,025 page text). Includes the NC Real Estate License Law and Real Estate Commission Rules. Order this book through the “Publications” tab and provided link for ordering publications on the Commission’s website at [www.ncrec.gov](http://www.ncrec.gov). Three options are available:
  - Soft cover book - Cost: \$49.00\*
  - CD-ROM - Cost: \$20.00\*
  - Online by subscription - Cost: \$20.00\*\* Quoted cost includes taxes, shipping and handling

This is the Real Estate Commission’s general reference book for brokers and the text for **post**licensing courses. Although the three topics mentioned above are not addressed, all other topics are covered in substantial depth.

### For Study of “Residential Square Footage Guidelines” ONLY

- See *Residential Square Footage Guidelines* (published by NC Real Estate Commission). Access and view online (or purchase) through the “Publications” tab on the Commission’s website at [www.ncrec.gov](http://www.ncrec.gov).

### For Study of “Federal Income Taxation of Home Ownership/Sale” ONLY

- See *IRS Publication 530 – Tax Information for Homeowners* and *IRS Publication 523 – Selling Your Home* available on IRS website, [www.irs.gov](http://www.irs.gov).

## State Section Content Outline (40 Scored Questions)

### 1. N.C. Real Estate License Law and Commission Rules 21 Questions

**Study Notes:** The *NC Real Estate License Law, Commission Rules* and *License Law and Rule Comments* are found in either of the two textbooks cited in the “Study/Reference Materials” section. Applicants should read not only the specific License Law and Rule references cited for specific topics under this subject area, but also the entire *License Law and Rules Comments*.

#### A. Requirement for Real Estate License

*License Law: G.S. 93A-1&2*

Activities Requiring a License; Exempt Activities; Activities of Unlicensed Assistants

#### B. License Categories and Status

*License Law: G.S. 93A-1; 93A-2(a1); 93A-4(a1); 93A-4.2*

*Rules: A.0110; A.0502; A.0504, A.0506; A.1801; A.1803(a); A.1806; A.1807(a)-(c); A.1808*

Broker; Provisional Broker; Broker-In-Charge (including BIC requirements and responsibilities and supervision of provisional brokers); Limited Nonresident Commercial Broker; Firm; Active/Inactive Status

#### C. North Carolina Real Estate Commission

*License Law: G.S. 93A-3; 93A-6*

Purpose; Composition; Powers (including disciplinary powers)

#### D. License Administrative/Maintenance Requirements

*License Law: G.S. 93A-4(c); 93A-4.1*

*Rules A.0101; A.0103; A.0113; A.0503; A.0505; A.0507; A.1700; A.1900*

Proof of Licensure; Change of Name/Address; Reporting Criminal Convictions; License Expiration/Renewal/Reinstatement; Continuing Education; Postlicensing Education

#### E. Agency Relationships, Contracts, Disclosure and Practices

*License Law: G.S. 93A-6(a)(4) Rules: A.0104*

**Important:** Also see coverage of these topics in one of the previously cited textbooks. Requirements for Agency Contracts; Oral Buyer/Tenant Agency Contracts; Providing Agency Brochure; Disclosure of Agency Status by Seller's Agent and Buyer's Agent; First Substantial Contact; Disclosure Exceptions; Dual and Designated Agency (including disclosure; authority; limitations on agency duties and practices); Related Practices of Listing Agents and Agents Working with Buyers

**F. Selected Regulated Practices**

*License Law: G.S. 93A-6(a)(7), (9), (11), (12), (13) & (14) and (d)*

*Rules: A.0105; A.0106; A.0107; A.0108; A.0109; A.0111; A.0115*

Advertising, Delivery of Instruments; Retention of Records; Drafting Legal Instruments; Disclosure of Offers; Basic Requirements for Trust Accounts and Handling Trust Monies (detailed recordkeeping/accounting/disbursement requirements not tested); Brokerage Fees and Compensation (including disclosure of compensation, compensation of unlicensed persons for brokerage activities and Commission's limited role regarding broker compensation)

**G. Prohibited Practices**

*License Law: G.S. 93A-6(a)(1), (2), (3), (4), (5), (6), (8), (10), (11) & (15); 93A-6(b), (c), (e) & (f). Rules: A.0504(a); A.0507*

Misrepresentation and Omission; Making False Promises; Pursuing Course of Misrepresentation or False Promises; Conflict of Interest; Provisional Broker Compensation; Representing More than One Broker without Consent; Unworthiness and Incompetence; Improper, Fraudulent or Dishonest Dealing; Practicing Law; Violation of Rules; Other Grounds for Disciplinary Action; Injunctive Relief; License Surrender; Imposition of Restrictions on License or Approval; Dishonored Payment of License Fees

**H. Time Shares**

*License Law: G.S. 93A-39-42, 44, 45, 51, 54, 56 & 58*

*Rules: B.0400; B.0500 and B.0600*

Registration of Time Share Projects and Licensure of Time Share Salesmen; Definitions, Time Shares Are Real Estate; Public Offering Statement; Purchaser's Right to Cancel; Commission's Authority & Disciplinary Action; Criminal Penalty; Registrar and Project Broker; Records; Agency Agreements and Disclosure; Handling and Accounting for Funds

**2. Other North Carolina Laws and Practices**

**10 Questions**

**Study Note:** *See coverage of these topics in one of the previously cited textbooks.*

**A. Property Taxation**

Legal Requirements and Procedures for Property Taxes and Special Assessments; Excise Tax (No Calculations)

**B. Sales Contracts and Practices**

*Rule A.0112*

Basic Concepts and Provisions of the North Carolina Bar Association and North Carolina Association of REALTORS® Jointly Approved Offer to Purchase and Contract Standard Form 2-T; NC Practices Related to Sales and Sales Contracts

**C. Closing Procedures**

*License Law: G.S. 93A-6(a)(14)*

Attorney Supervised Closings; Typical Pre-Closing and Closing Procedures; NC Good

Funds Settlement Act; Broker's Responsibility as to Closing Statements

**D. Laws Governing Residential Tenancies**

NC Residential Rental Agreements Act, Laws Governing Eviction Procedures and Tenant Security Deposit Act; Statute of Frauds (as to Leases)

**E. Residential Square Footage Guidelines** (no calculations)

**F. Miscellaneous Laws and Legal Concepts**

Tenancy by the Entirety; Townhouses]; NC Residential Property Disclosure Act; Laws Regarding Materiality and Disclosure of Death or Serious Illness of Previous Property Occupant and of a Convicted Sex Offender Occupying or Residing Near a Property; Subdivision Regulation, incl. Sale of Lots in Unapproved Subdivision (G.S. 153A-330 *et seq*); Disclosure by Developers as to Subdivision Streets (G.S. 136-102.6); Protective/Restrictive Covenants; On-Site Septic Systems; Broker's Responsibilities Relating to Any of Above

**3. General Real Estate Topics      9 Questions**

**Study Note:** *See comments under "Study/Reference Materials" preceding outline.*

**A. Basic House Construction**

Wood-Frame Construction Methods and Terminology; Architectural Styles

**B. Federal Income Taxation of Home Ownership/Sale**

Basic Terminology; Homeowner Deductions; Sale of Personal Residence

**C. Calculations: Qualifying a Buyer and Performing a Comparative Market Analysis**

Qualifying a Buyer Using Given Income/Expense Ratios; Miscellaneous CMA Calculations

**D. Closing Statement Problem**

Complete Closing Statement Problem [Candidates will be presented on-screen a detailed fact situation and four (4) "bottom-line" questions, and will be provided a paper "closing statement worksheet" for use in working through the closing statement problem and determining their answers to the four questions.]

**Applying to Take the License Examination**

See the instructions available through the "Apply for a License" link on the home page of the North Carolina Real Estate Commission's website at [www.ncrec.gov](http://www.ncrec.gov) and order the *Real Estate Licensing in North Carolina* booklet (which contains the paper application form required for persons applying based on licensure in another jurisdiction) through the "Publications/Bulletins" link. An application must be filed with the Commission before an applicant can take the license examination.

**Additional Information on the License Examination**

The passing score for the "State" section of the license examination is **75% (30 of the 40 scored questions answered correctly)**. The examination must be taken at a test center in North

Carolina or Norfolk, VA. Complete information on the license examination is contained in the *Real Estate Licensing in North Carolina* booklet accessible through the “Publications/Bulletins” link on the home page of the North Carolina Real Estate Commission’s website at [www.ncrec.gov](http://www.ncrec.gov).

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